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ECONOMIC INDICATORS

CORPORATE ECONOMICS DEPARTMENT - DR. SUNG WON SOHN, CHIEF ECONOMIST MAY 15, 1986

Spring 1986 Regional Economic Survey

Our 20th semiannual survey of the region's bankers suggests that, although the farm economy is expected to remain weak, we may be approaching the bottom of the agricultural cycle. The agricultural bankers' confidence index rose for the first time since October 1983, when the PIK program boosted crop prices. Among other topics, this survey provides up-to-date information on land prices, the number of farm liquidations, the magnitude of credit problems, current business conditions and bankers' views on the economic prospects for the balance of the year.

The survey also indicates that Twin Cities bankers anticipate a continuation of relatively healthy economic conditions. So far, most major cities in the region have not been noticeably affected by depressed farm conditions. Meanwhile, bankers in northeastern Minnesota and northwestern Wisconsin anticipate slowly improving economic conditions. Conducted in April, this survey drew responses from 800 bankers in Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wisconsin.

Agricultural conditions

Approaching the bottom. Forty percent of the agricultural bankers rated current economic conditions fair and 7 percent good, slightly more favorable responses than last fall. Another 40 percent classified local conditions poor and 13 percent very poor.

Wisconsin and eastern North Dakota bankers were the most positive. In Wisconsin, where strong dairy producers are still turning a profit, half the bankers rated current conditions as fair and another 25 percent good. However, they expressed concern over the future. Eastern North Dakota bankers were almost as positive; the Red River Valley area is aided by profitable sugar prices and the presence of other specialty crops. Economic conditions appeared weakest in Montana; however, bankers report that improved moisture conditions have brightened the outlook for 1986 crops.

Bankers disagree about whether the farm sector has hit bottom yet. One-third of the bankers expect further deterioration in overall economic conditions during the next six to twelve months. However, 60 percent of the bankers anticipate little change from current conditions; another 7 percent anticipate improvement. This is a more positive appraisal than last fall, resulting in the first upturn in the agricultural bankers' confidence index since October 1983 (see page 6). A number of bankers state that they feel the agricultural sector is close to the bottom of the cycle.

Bankers indicate that fewer farm borrowers will have negative cash flow in 1986. They point to the positive impact on farm earnings of lower costs for fuel, fertilizer, chemicals, cash rent and interest. Bankers also indicate that farmers who carry little or no debt are making a comfortable living.

Land prices declining at slower rate. According to the region's bankers, cropland prices are down about 19 percent from a year ago, a somewhat slower rate of decline than reported last fall. One-fourth of the bankers reported declines of 25 percent or more while another one-fourth said land prices were down 10 percent or less. Iowa and Nebraska in particular posted smaller declines than reported last fall.

At present, cropland prices are estimated to average about $1,000 an acre in Iowa. One-fourth of the Iowa bankers valued good cropland at $800 per acre or less; another one-fourth reported sales of $1,100 per acre or more. In grain-producing areas of Minnesota and Nebraska, good cropland was pegged at $700 per acre, with the lower quartile reporting land values in the $500 range and the upper quartile in the $800 plus range.

Pastureland prices are off 21 percent from a year ago. Key dairy and ranching areas reported somewhat larger declines than a year ago. Much of the pastureland in North Dakota and South Dakota fell in the $100 to $200 per acre range. In Montana, pastureland was typically selling for $75 to $150 per acre. Wisconsin pastureland averaged $245 an acre.

Half of the bankers looked for fairly stable land prices during the next 12 months, while the other half felt land prices would decline further. Bankers indicated that investors and financially sound farmers are showing more interest in buying farmland.

Adjustment process continuing. On average, bankers estimated that 3.8 percent of their customers quit farming during the last 12 months; the median response was 3 percent. These figures are probably smaller than most people typically assume from the publicity agriculture has received. Their estimates ranged from a low of 1 percent or less for one-fourth of the agricultural banks to a high of at least 5 percent for another one-fourth of the banks.

Bankers predict that 5 percent of their customers may discontinue operations during the next year — little change from previous surveys. Bankers indicate

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Credit Conditions

Unless otherwise indicated, figures show percentage of bankers falling in each of the categories - higher, same, lower, etc. Items may not add up to 100 percent due to rounding.

1. What is your current **loan-to-deposit ratio?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	53.2%	43.9%	52.9%	63.0%
Minnesota	58.0	50.0	58.9	67.0
North Dakota	51.9	42.0	51.0	61.5
South Dakota	49.9	40.0	49.5	59.8
Montana	62.5	48.0	66.0	74.0
Wisconsin	57.4	51.0	58.0	64.0
Iowa	47.2	38.0	47.0	55.9
Nebraska	55.9	45.1	54.5	65.0
Twin Cities Banks	62.9	57.0	62.0	70.5
N. Minn.-Wisc.	62.0	56.0	64.0	69.0

2. **Loan-to-deposit ratio** higher or lower than desired?

	Higher	Desired	Lower
All Ag Banks	9%	39%	52%
Minnesota	10	48	41
North Dakota	2	36	63
South Dakota	15	44	41
Montana	38	19	42
Wisconsin	9	28	63
Iowa	6	35	59
Nebraska	5	43	52
Twin Cities Banks	5	28	68
N. Minn.-Wisc.	6	53	40

3. **Typical interest rate** charged for operating loans?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	12.7%	12.5%	12.8%	13.0%
Minnesota	12.8	12.5	13.0	13.0
North Dakota	12.7	12.5	12.8	13.0
South Dakota	12.9	12.5	13.0	13.1
Montana	12.9	12.4	13.0	13.5
Wisconsin	12.4	12.0	12.4	12.8
Iowa	12.7	12.3	12.8	13.0
Nebraska	12.7	12.5	12.8	13.0
Twin Cities Banks	11.6	11.0	11.5	12.0
N. Minn.-Wisc.	12.4	12.0	12.5	13.0

4. Percentage change in **loan volume** during **past 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	−5.4%	−10.0%	−5.0%	0.0%
Minnesota	−5.1	−10.0	−4.0	0.0
North Dakota	−3.6	−10.0	−2.0	0.0
South Dakota	−4.3	−10.0	−1.5	0.0
Montana	−7.8	−13.5	−7.0	0.0
Wisconsin	0.4	− 5.0	0.0	5.0
Iowa	−7.1	−14.0	−5.0	0.0
Nebraska	−7.0	−10.0	−5.5	0.0
Twin Cities Banks	7.4	− 2.0	6.0	11.0
N. Minn.-Wisc.	2.7	− 4.0	0.0	6.5

5. **Anticipated loan growth** during **next 12 months** compared with past year?

	Higher	Same	Lower
All Ag Banks	20%	51%	29%
Minnesota	27	44	29
North Dakota	22	55	23
South Dakota	15	57	28
Montana	8	50	42
Wisconsin	15	62	23
Iowa	18	50	32
Nebraska	19	53	28
Twin Cities Banks	39	41	20
N. Minn.-Wisc.	32	33	30

6. Anticipated trend in **loan-to-deposit ratio** during **next 12 months?**

	Higher	Same	Lower
All Ag Banks	29%	43%	28%
Minnesota	37	35	27
North Dakota	28	42	31
South Dakota	28	56	16
Montana	23	31	46
Wisconsin	22	51	27
Iowa	25	44	31
Nebraska	24	53	22
Twin Cities Banks	54	34	12
N. Minn.-Wisc.	30	45	26

7. Percentage change in **bank deposits** during past 12 months?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	3.4%	0.0%	4.0%	8.0%
Minnesota	4.3	0.0	5.0	8.5
North Dakota	3.1	0.0	2.0	7.0
South Dakota	3.4	0.0	4.0	6.8
Montana	−1.1	−8.0	0.0	8.0
Wisconsin	6.1	0.0	7.0	9.3
Iowa	2.9	0.0	3.0	9.0
Nebraska	2.6	0.0	2.0	7.8
Twin Cities Banks	10.7	4.5	10.0	16.0
N. Minn.-Wisc.	6.8	1.8	6.0	10.0

8. **Percentage** of total loan portfolio that is **farm loans?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	45.1%	25.0%	41.5%	65.0%
Minnesota	40.5	24.0	35.0	60.0
North Dakota	45.7	25.0	40.1	65.0
South Dakota	63.4	49.0	70.0	80.0
Montana	32.4	15.0	30.0	42.3
Wisconsin	28.6	10.0	25.0	44.0
Iowa	45.8	28.8	44.5	65.0
Nebraska	59.6	42.0	65.0	78.0
Twin Cities Banks	2.0	0.0	0.0	0.1
N. Minn.-Wisc.	8.5	0.0	2.0	12.0

9a. Percentage of total **loan portfolio** that is **nonperforming?**

	Survey Average	Response by percentile 25th	50th	75th
Twin Cities Banks	2.0%	0.0%	1.1%	3.0%
N. Minn.-Wisc.	2.1	0.5	1.8	3.0

9b. Percentage of **farm loans** that is **nonperforming?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	6.6%	1.0%	5.0%	10.0%
Minnesota	7.4	1.0	5.0	10.0
North Dakota	5.4	1.0	3.0	7.0
South Dakota	4.6	0.5	2.0	6.0
Montana	9.7	0.5	5.0	10.5
Wisconsin	4.7	1.0	3.0	6.0
Iowa	6.9	1.0	5.0	10.0
Nebraska	6.0	2.0	5.0	8.0

Business Conditions

10a. Current **market value** of good **cropland?** (Dollars per acre)

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	$715	$463	$750	$950
Minnesota	692	525	700	850
North Dakota	428	289	350	488
South Dakota	356	250	350	450
Montana	408	244	300	613
Wisconsin	613	488	600	750
Iowa	979	800	1000	1100
Nebraska	675	494	700	806

10b. Current **market value** of **pastureland?** (Dollars per acre)

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	$254	$150	$200	$300
Minnesota	265	150	225	300
North Dakota	137	100	125	150
South Dakota	158	100	150	200
Montana	125	75	100	150
Wisconsin	245	150	200	300
Iowa	343	250	300	400
Nebraska	200	100	180	275

11a. Percentage **change** in **cropland prices** from a year ago?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	– 19.0%	– 25.0%	– 20.0%	– 10.0%
Minnesota	– 21.7	– 30.0	– 20.0	– 15.0
North Dakota	– 15.7	– 20.0	– 15.0	– 10.0
South Dakota	– 15.9	– 25.0	– 15.0	– 10.0
Montana	– 19.3	– 23.8	– 17.5	– 10.8
Wisconsin	– 16.1	– 25.0	– 15.0	– 8.0
Iowa	– 19.9	– 25.0	– 20.0	– 15.0
Nebraska	– 15.4	– 20.5	– 15.0	– 10.0

11b. Percentage **change** in **cropland prices** from a year ago?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	– 20.7%	– 30.0%	– 20.0%	– 10.0%
Minnesota	– 20.6	– 30.0	– 20.0	– 10.0
North Dakota	– 18.6	– 25.0	– 16.3	– 10.0
South Dakota	– 21.0	– 27.5	– 20.0	– 15.0
Montana	– 20.7	– 25.0	– 20.0	– 10.5
Wisconsin	– 16.0	– 25.0	– 15.0	– 5.0
Iowa	– 23.0	– 30.0	– 20.0	– 15.0
Nebraska	– 19.3	– 25.0	– 20.0	– 10.0

12. Anticipated trend in **land prices** during **next 12 months?**

	Increase	Stable	Decrease
All Ag Banks	2%	49%	49%
Minnesota	2	49	48
North Dakota	0	43	57
South Dakota	0	41	59
Montana	4	31	65
Wisconsin	2	57	41
Iowa	1	52	47
Nebraska	5	55	40

13. Are **capital expenditures** higher or lower than a year ago?

	Higher	Same	Lower
Twin Cities	22%	66%	12%
N. Minn.-Wisc.	13	53	34

14. Change expected in **capital outlays** during next **six months?**

	Stronger	Same	Weaker
Twin Cities	32%	59%	10%
N. Minn.-Wisc.	23	51	26

15. Are **retail sales** better or worse than a year ago?

	Better	Same	Worse
Twin Cities	18%	78%	5%
N. Minn.-Wisc.	21	36	43

16. Are **automobile sales** better or worse than a year ago?

	Better	Same	Worse
Twin Cities	18%	54%	28%
N. Minn.-Wisc.	38	36	26

17. Change expected in **consumer spending** during **next six months?**

	Stronger	Same	Weaker
Twin Cities	37%	54%	10%
N. Minn.-Wisc.	45	34	21

18. Are **housing starts** better or worse than a year ago?

	Better	Same	Worse
Twin Cities	85%	15%	0%
N. Minn.-Wisc.	55	28	17

19. Overall **economic conditions** in your area at the **present time?**

	Very Good	Good	Fair	Poor	Very Poor
All Ag Banks	0%	7%	39%	40%	13%
Minnesota	0	9	34	38	20
North Dakota	0	5	40	51	5
South Dakota	0	10	34	43	13
Montana	0	8	15	58	19
Wisconsin	0	25	51	18	5
Iowa	0	3	43	43	11
Nebraska	0	0	45	41	14
Twin Cities Banks	7	73	20	0	0
N. Minn.-Wisc.	0	11	57	30	2

20. Anticipated trend in **economic conditions** during the **next six months?**

	Better	Same	Worse
All Ag Banks	7%	60%	32%
Minnesota	10	53	37
North Dakota	3	75	22
South Dakota	7	59	34
Montana	19	54	27
Wisconsin	11	58	31
Iowa	5	64	32
Nebraska	7	62	31
Twin Cities Banks	34	63	2
N. Minn.-Wisc.	49	45	6

21. Percentage of farm borrowers having **negative cash flow** in 1986?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	20.7%	5.0%	15.0%	30.0%
Minnesota	24.4	10.0	20.0	30.0
North Dakota	21.6	5.0	15.0	33.0
South Dakota	20.8	5.0	15.0	30.0
Montana	29.6	12.5	20.0	47.5
Wisconsin	18.9	5.0	15.0	25.0
Iowa	17.4	5.0	10.0	25.0
Nebraska	17.8	5.0	10.0	25.0

22. Percentage of farm customers that went **out of business** during the **past 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	3.8%	1.0%	3.0%	5.0%
Minnesota	4.1	1.0	3.0	5.0
North Dakota	2.5	1.0	2.0	4.0
South Dakota	3.1	0.0	2.0	4.8
Montana	3.0	0.0	2.0	5.0
Wisconsin	2.8	0.0	2.0	5.0
Iowa	4.1	1.0	3.0	5.0
Nebraska	4.5	2.0	4.0	5.0

23. Percentage of farm customers likely to **discontinue operating** during the **next 12 months?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	5.3%	2.0%	5.0%	6.0%
Minnesota	6.0	2.0	5.0	10.0
North Dakota	4.9	2.0	3.0	6.0
South Dakota	4.8	2.0	4.0	5.0
Montana	6.0	2.8	5.0	10.0
Wisconsin	4.6	2.0	5.0	5.0
Iowa	4.9	2.0	5.0	5.0
Nebraska	5.5	2.5	5.0	6.0

24. Percentage of farm customers **not given operating loans** this spring?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	5.4%	1.0%	3.0%	7.0%
Minnesota	7.8	1.0	5.0	10.0
North Dakota	4.0	1.0	3.0	5.0
South Dakota	4.4	1.0	3.0	5.3
Montana	5.0	1.8	5.0	10.0
Wisconsin	5.1	0.0	2.0	5.8
Iowa	4.3	1.0	3.0	5.0
Nebraska	4.1	1.5	3.0	5.0

25. For those **credit lines not renewed** this spring, what percentage will:

	Obtain Financing Elsewhere?	Retire This Spring?	Quit Farming?
All Ag Banks	45%	10%	45%
Minnesota	39	11	50
North Dakota	51	7	42
South Dakota	55	12	33
Montana	51	6	43
Wisconsin	51	12	38
Iowa	44	10	47
Nebraska	42	13	47

26a. Percentage of farm borrowers being given **normal supervision?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	64.0%	50.0%	70.0%	80.0%
Minnesota	63.5	50.0	70.0	80.0
North Dakota	62.6	50.0	63.0	75.0
South Dakota	66.4	50.0	70.0	85.0
Montana	59.6	50.0	60.0	76.5
Wisconsin	71.9	60.0	80.0	90.0
Iowa	63.4	50.0	70.0	80.0
Nebraska	63.2	50.0	65.5	79.5

26b. Percentage of farm borrowers identified as a **weak credit** and receiving **special attention?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	22.4%	14.0%	20.0%	30.0%
Minnesota	22.4	15.0	20.0	30.0
North Dakota	22.7	15.0	25.0	30.0
South Dakota	20.0	10.0	20.0	30.0
Montana	23.3	15.0	20.0	30.0
Wisconsin	15.8	8.0	13.5	21.3
Iowa	23.7	15.0	20.0	30.0
Nebraska	23.5	14.3	20.0	30.0

26c. Percentage of farm borrowers identified as a **very weak credit** with **potential for loss?**

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	9.7%	4.0%	9.0%	15.0%
Minnesota	10.2	5.0	10.0	15.0
North Dakota	10.7	4.0	10.0	14.0
South Dakota	8.8	2.0	6.5	11.3
Montana	12.6	5.0	10.0	17.5
Wisconsin	7.2	2.0	5.0	11.5
Iowa	9.3	4.0	8.0	10.0
Nebraska	10.0	3.0	10.0	15.0

26d. Percentage of farm borrowers for which **foreclosure or bankruptcy** is in progress or imminent?

	Survey Average	Response by percentile 25th	50th	75th
All Ag Banks	3.9%	0.1%	2.0%	5.0%
Minnesota	5.0	1.0	3.0	5.0
North Dakota	4.0	1.0	2.0	5.0
South Dakota	3.0	0.0	2.0	5.0
Montana	4.6	0.0	5.0	8.5
Wisconsin	3.2	0.5	2.0	5.0
Iowa	3.3	0.0	2.0	5.0
Nebraska	3.7	1.0	2.3	5.0

Iowa - *"Economy remains good as we have excellent local industry to support economic base."*

"Continued weak year in agriculture with about two years needed to restructure debt."

"Showing signs of leveling off."

"No improvement in sight for several years."

Minnesota - *"Economy is not expected to show any improvement, but feel we are close to the bottom."*

"Expect continued deterioration."

"With new state legislation, ag credit will dry up."

"Feel bottom has been reached, but will take at least two years to liquidate the nonsurvivors."

Montana - *"Good moisture conditions have improved outlook considerably."*

"No significant signs of improvement in sight."

"Agriculture and natural resource industries depressed."

Nebraska - *"Land sales are picking up this spring."*

"Feel our local economy has stabilized since January 1st."

"It is tough, but feel we have hit the bottom."

North Dakota - *"Sugar beets have always been a positive factor for our economy."*

"Not much change expected."

"Feel there are many positive factors beginning to surface."

"(Farm) units in excellent financial position will continue to prosper."

South Dakota - *"Feel bottom has been achieved."*

"Lower fuel, interest rates will lower break-even prices."

"Do not look for any major changes in the economic outlook for this area."

"Current land prices are attractive to well-established farmers."

Wisconsin - *"Outlook good due to diversification of industries."*

"Overall ag economy getting worse."

"Good dairy farmers still doing well."

Twin Cities - *"Very Good Outlook."*

"Expect moderate growth."

"Slowness in computer area. Service sector will be relatively strong..."

Northern Minnesota/Wisconsin - *"Outlook is good expecially in terms of new construction (highways/paper plant)."*

"After severe slump, economy has bottomed out and will improve over next 12 months.

"Expect slight improvement."

1986 Survey *continued from page 1*

that it may take a couple of years before the turnover of highly leveraged farm operations is completed.

Bankers report that about 70 percent of their farm borrowers are being given normal supervision and continue to do well. The number of relatively strong accounts ranged as high as 80 percent or more at one-fourth of the banks to about 50 percent or less at another one-fourth of the banks.

Bankers estimated that only 5 percent of their farm customers would not be refinanced this spring; the median response was 3 percent. These figures are considerably lower than one is led to believe from more casual observations. Moreover, nearly half of these customers were expected to receive financing from other sources such as the Farmers Home Administration, relatives, etc., while another 10 percent were expected to retire. In cases where financing cannot be obtained elsewhere, the land is likely to be farmed by another operator.

Twin Cities economy

Relatively healthly. Most Twin Cities bankers rated local economic conditions good to very good, slightly higher marks than last fall. Housing starts are stronger than a year ago. Retail sales are roughly on par with last year's favorable level; however, auto sales are lagging. Capital expenditures show modest improvement.

As of March 1985, Twin Cities nonfarm wage and salary employment was 10 percent above the peak reached before the 1981-82 recession. This was about 1 percentage point better than the national average. Currently, however, Twin Cities employment is growing more slowly than nationally. The surge in business services and printing and publishing jobs has ceased, at least temporarily. A slump in the computer industry plus declines in other durable goods has pushed Twin Cities manufacturing employment 3.5 percent below a year ago. However, job growth remains strong in construction, transportation, retail trade, finance, insurance and real estate.

Bankers are optimistic about the prospects for the balance of the year. About 65 percent of the bankers expect overall conditions so remain near current levels, while the remainder anticipate a stronger economy. They forecast a pick-up in both consumer and business spending.

Northern Minnesota/ Wisconsin economy

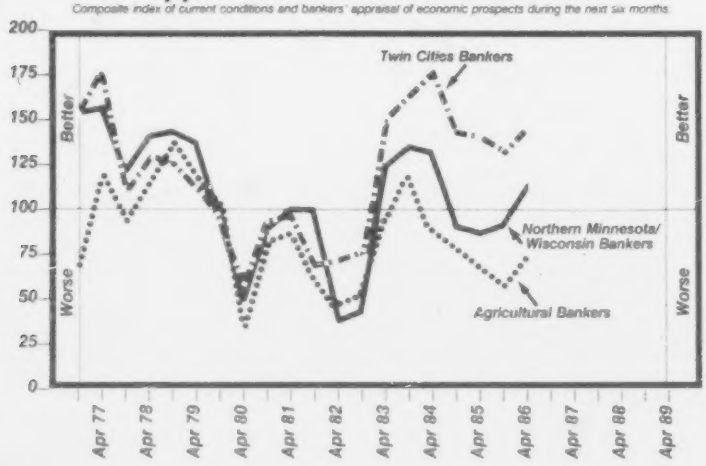
Improvement expected. One-third of the bankers characterize economic conditions as poor, 57 percent fair and 11 percent good. General retail sales and capital spending remain weak, but some improvement was observed in auto sales and housing starts.

Bankers feel the local economy has bottomed out. With consumer expenditures leading the way, half of the bankers look forward to improving economic conditions throughout 1986; only 6 percent anticipate declines—the most optimistic appraisal in recent years. Lower gasoline prices are expected to spur tourism. Although capital outlays are likely to remain weak, new paper plants, etc., are expected to boost construction activity. However, the mining, logging and shipping industries are expected to remain weak.

(continued on page 6)

Upper Midwest Confidence Index

Composite index of current conditions and bankers' appraisal of economic prospects during the next six months



1986 Survey

Credit conditions

Agricultural banks

Loan volume declines. The long-term adjustment to lower levels of farm debt is under way. Total farm debt peaked in 1983, after rising every year since 1945. The decline in agricultural loans first showed up at other major private lenders; banks did not join this trend until 1985. At present, total loans outstanding at agricultural banks in the region are down 5.4 percent from a year ago. One-fourth of the banks reported declines of 10 percent or more; another one-fourth reported no drop in loan volume. Loan demand was strongest in Wisconsin, with one-fourth of the banks reporting increase of 5 percent or more.

Deposits at agricultural banks were up a modest 3.4 percent from a year ago, on par with the last couple of surveys. One-fourth of the banks reported no growth in deposits, while another one-fourth experienced deposit growth of 8 percent or more.

The combination of rising deposits and declining loan volume pushed the average loan-to-deposit ratio 6 percentage points below last year's level to 53.2 percent — the lowest level since the 1960s. One-fourth of the banks had a ratio of 44 percent or less, while another one-fourth had a ratio of 63 percent or more. Half of the bankers surveyed viewed their loan-to-deposit ratio as lower than desired.

Interest rates on farm loans at agricultural banks continued to decline, aiding the farm adjustment process. The typical interest rate charged for farm operating loans averaged 12.7 percent in early April, down from 13.9 percent a year ago.

Agricultural loans made up an average of 45 percent of all loans in the portfolios of the banks that responded to this survey. On average, 6.6 percent of these agricultural loans were nonperforming — either requiring interest concessions or not accruing any interest. One-fourth of the banks said that at least 10 percent of their farm loans were nonperforming, while another one-fourth said no more than 1 percent of their farm loans were nonperforming.

Twin Cities banks

Deposits outstrip loan growth. Bank deposits are up nearly 11 percent from a year ago at Twin Cities banks. One-fourth of the banks reported increases of 16 percent or more, while another one-fourth of the banks reported increases of 4.5 percent or less.

Although loan demand was stronger than last fall, loans did not keep pace with deposit growth. Total loans outstanding are up 7.4 percent from a year ago. One-fourth of the Twin Cities bankers reported increases of at least 11 percent, while another one-fourth reported declines of at least 2 percent.

At 62.9 percent, the average loan-to-deposit ratio was down 2.6 percentage points from last fall to the lowest level since April 1983, which also was a period of weak loan demand. One-fourth of the banks had a loan-to-deposit ratio of 57 percent or less, while another one-fourth had a ratio of 70.5 percent or more. Two-thirds of the bankers viewed their ratio as lower than desired. Bankers forecast stronger loan demand during the next 12 months, leading to higher loan-to-deposit ratios.

The typical interest rate charged for operating loans was 11.5 percent in early April, down from 13.3 percent a year ago. On average, 2 percent of all loans at Twin Cities banks were classified as nonperforming; the median response was 1.1 percent. One-fourth of the banks said that none of their loans were nonperforming while at least 3 percent of the loans were nonperforming at another one-fourth of the banks.

Northern Minnesota/ Wisconsin banks

Loan demand weak. Loan volume was up an average of 2.7 percent from a year ago; the median response showed no loan volume growth. One-fourth of the banks reported at least a 4 percent drop in loans, while another one-fourth reported increases of at least 6.5 percent. Deposits were up an average of nearly 7 percent from a year ago.

Loan-to-deposit ratios averaged 62 percent, down modestly from a year ago. Twenty-five percent of the banks has a ratio of 69 percent or more, while another 25 percent had a ratio of 56 percent or less. Forty percent of the bankers viewed their ratio as lower than desired, but they anticipate stronger loan demand during the next 12 months.

On average, 2.1 percent of all loans at these banks were nonperforming. This figure was 0.5 percent or less at one-fourth of the banks. Another one-fourth said at least 3 percent of their loans were nonperforming. The typical interest rate charged for operating loans was 12.5 percent in April, compared with 13.8 percent a year ago.

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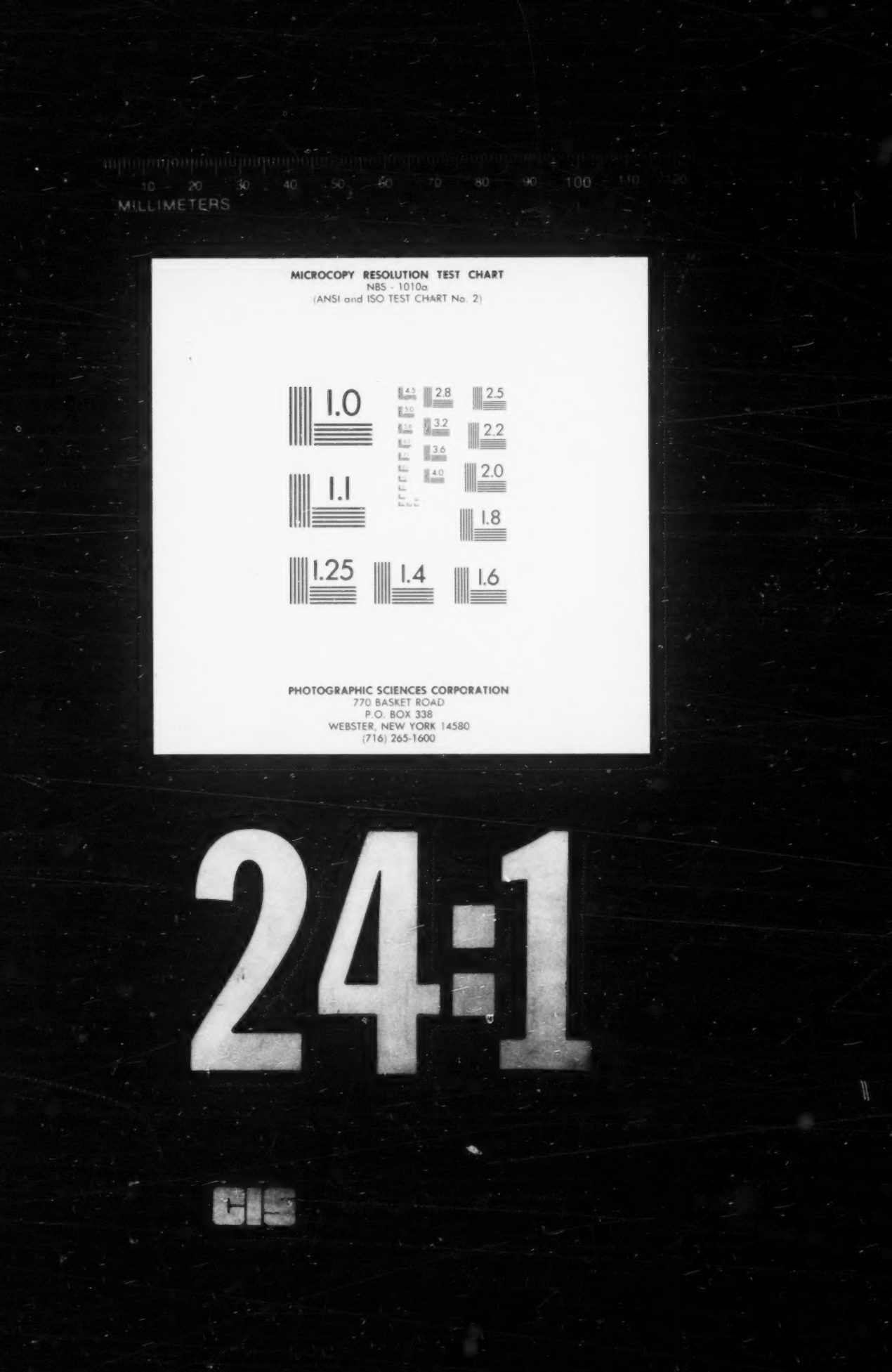
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